

# Montana Newsletter

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# Community Transit Projects Endorsed

On January 29, 1981, a new state selection committee met to review and establish project funding priorities for this year's Urban Mass Transportation Administration (UMTA) 16(b) (2) and Section 18 programs. Both federal programs are administered by the Department of Community Affairs/Transit Assistance Bureau. Section 16(b) (2) provides funding for private non-profit organizations to purchase vehicles and related equipment for the purpose of transporting Montana's elderly and handicapped citizens. Section 18 provides assistance to non-urbanized and rural communities for the purchase of equipment and/or operational expenses for public transportation systems.

The process by which UMTA 16(b) (2) and Section 18 projects are selected and recommended for funding is the responsibility of the State Selection Committee which is composed of representatives from the Montana Departments of Community Affairs, Institutions, and Social and Rehabilitation Services; Federal Highway Administration; transit operators and the handicapped. Each application is evaluated and ranked according to established criteria such as community need, numbers served, coordination with other programs, and the extent to which the program will serve the needs of the elderly and handicapped in providing access to medical, nutritional and other essential services.

In an effort to gain greater coordination of all transit assistance programs administered by state and federal agencies a new state selection committee was organized this year combining the previous 16(b) (2) project selection and Section 18 policy advisory committees. It is anticipated this new committee organization will lead to a greater understanding of each community's transit needs, allow for better transit assistance coordination and reduce the possibility of a duplication of efforts by state and federal agencies in their administration of transit assistance funds.

Seventeen applications were submitted to DCA's Transit Assistance Bureau for UMTA 16(b) (2) capital assistance and referred to the State Selection Committee for priority ranking. Based on the amount of funds available to Montana for 16(b) (2) projects, the top-ranked organizations which will have their respective projects recommended to UMTA for approval are as follows:

- (1) Missoula Regional Specialized Transportation System, Inc. (Missoula);
- (2) Phillips County Council on Aging (Malta);
- (3) Crow Senior Citizen Program (Crow Agency);
- (4) The Hospitality House (Big Timber);
- (5) Yellowstone County Council on Aging, Inc. (Billings);
- (6) McCone County Hospital Association (Circle);
- (7) Pondera County Council on Aging (Conrad);
- (8) Richland County Commission on Aging, Inc. (Sidney);

- (9) Flathead Industries for the Handicapped (Kalispell);
- (10) Blackfeet Tribal Health Board, Inc. (Browning);
- (11) Polson Senior Citizens, Inc. (Polson); and
- (12) Big Sandy Activities, Inc. (Big Sandy).

Eight applications for Section 18 capital and operating assistance were also reviewed by the committee. It was determined that community public transit systems eligible to obtain operating assistance include: Butte, \$94,433; Fort Peck Reservation, \$42,970; Garfield County, \$3,957; Helena, \$69,976; Missoula, \$172,528; Powder River County, \$11,400; Valley County, \$18,950 and Yellowstone County, \$14,535. Capital equipment requests were also approved for Helena (\$36,160) and Powder River County (\$2,800).

Persons interested in additional information regarding these two programs should contact the DCA/Community Development Division, Transit Assistance Bureau, telephone: (406) 449-3757.

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## HUD Announces Successful Small Cities Pre-Applicants

Montana's Congressional delegation has notified eleven cities and counties that they have successfully completed the pre-application phase of the annual U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant "Small Cities" competition. The pre-application approvals are tantamount to funding assurance although full applications must be completed and approved prior to beginning projects. Over \$7 million was approved for housing, public facilities and neighborhood revitalization projects.

Butte-Silver Bow was awarded \$1.7 million over a three year period for comprehensive renewal of the central Butte neighborhood including housing rehabilitation, park development, demolition of deteriorated structures, and street improvements. Missoula County will receive \$895,000 over two years and Polson \$1.25 million, also over two years, to complete similar neighborhood programs. Five of the one year awards were for housing rehabilitation programs; Darby will receive \$310,000, Hot Springs \$400,000, Lodge Grass \$365,000, Mineral County \$318,000, and Plains \$400,000. Darby and Plains will include some associated sewer improvements with their rehabilitation program. Four hundred thousand dollars was awarded to Libby for a sheltered workshop facility for the developmentally disabled. Red Lodge received \$400,000 and Black Eagle \$326,000 for water system improvements.

The Small Cities competition provides funds to communities for all types of community facilities as well as housing rehabilitation and economic development. (Continued on next page . . .)

# Indian Leadership To Convene

San Diego, California will be the site for the National Urban Indian Council's Fifth Annual Convention to be held from May 17-21, 1981 at the Hotel San Diego. It is anticipated that 500 to 1,000 American Indians and Alaska Natives residing in rural and urban areas will attend this largest single gathering of off-reservation leadership in the United States and Canada.

During the conference, plans will be initiated to influence federal policy issues affecting the social and economic self-sufficiency of off-reservation American Indian and Alaska Native people. Information will be

exchanged concerning numerous topics of interest, including employment and training, housing and urban development, political activism and Indian welfare.

The National Urban Indian Council is a national community-based organization with membership that includes over 130 organizational affiliates. For further information on the convention interested persons should contact Gregory W. Frazier, Executive Director of the Council, 1805 South Bellaire, Suite 525, Denver, Colorado 80222, telephone: (303) 756-1569.

## Tribal Business Management Degree Programs Under Study at MSU

Merle Lucas, Coordinator of Indian Affairs, has announced that the Center for Native American Studies and the School of Business at Montana State University are coordinating efforts to determine the feasibility of establishing a degree option in tribal business management and administration at the four-year bachelor's degree level. The Center and the School of Business are also cooperating with the tribally-controlled community colleges in Montana to determine whether tribal business management should be offered on the reservations by the community colleges. The two-year and four-year programs would be interrelated in order to allow for transfer of students.

For more information on either of the proposed degree programs interested persons should contact: Mr. Bruce Meyers, Center for Native American Studies, Montana State University, Bozeman, Montana 59717, (telephone) 994-3881.

## HUD Announces Successful Small Cities Pre-Applicants Cont. . . .

ment projects. Fundable programs must demonstrate a severe problem in the requested program area and a significant benefit to low and moderate income persons. Funds are awarded for single-purpose programs which can be completed within a year and for comprehensive programs which include a variety of activities aimed at complete revitalization of a designated neighborhood. Comprehensive programs can be funded for a three year period.

DCA's Community Development Division will be happy to work with communities interested in exploring program possibilities for the FY 1982 competition. Literature and application requirements are available as well as survey forms to establish community needs and income characteristics. For further information contact Ann Mulroney, DCA/Community Development Division, (telephone) 449-3757.

### Montana Community News

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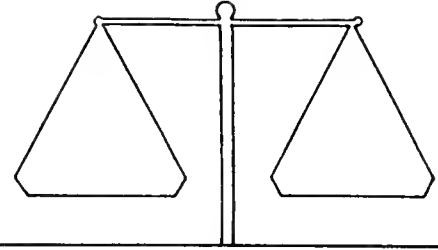
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#### Research and Information Systems

R. Thomas Dundas, Jr. . . . . 449-2896

# Legal Briefs:



## District Court Addresses Misuse of Exemptions

Montana's Fifth Judicial District Court (Judge Gordon R. Bennett, presiding) has described the procedure by which divisions of land exempted from subdivision review under the Montana Subdivision and Platting Act are to be scrutinized by governing bodies for compliance with the act prior to the filing of survey documents with the county clerk and recorder.

In *Beaverhead County v. Withers et al.* (No. 9212, Jan. 14, 1981) the court observed that the remedy available to governing bodies if exemptions from subdivision regulation are invoked to "evade the provisions of the act" is to disallow the exemptions and direct the clerk and recorder not to accept the proposed survey documents for filing until review requirements are met.

The court noted that prior to accepting a certificate of survey on which is claimed an exemption from subdivision review the clerk and recorder is required by the act to notify the governing body of the proposed land division. In turn, said the court, the governing body is to determine the propriety of the exemption and instruct the clerk to accept or reject the proffered survey document.

## Attorney General Rules on Occasional Sale

Attorney General Mike Greely has issued an opinion (Vol. 37, No. 117) holding that the 12-month limitation period on the use of the "occasional sale" exemption from public review under the Montana Subdivision and Platting Act begins to run with the transfer of interest in a parcel of land rather than with the filing of a survey document.

## Great Falls Held to Strict Compliance With Annexation Laws

The Montana Supreme Court has reaffirmed the principle that if a city fails to comply "completely and strictly" with statutory requirements for annexing new territory, any attempted annexation is void.

In *Nilson Enterprises, Inc. v. City of Great Falls* (37

State Rep. 1977, Dec. 18, 1980) a property owner challenged the inclusion of its land in a special lighting district and sought to recover assessments it had paid to the district.

The plaintiff's property had become contiguous to the Great Falls city limits, and therefore ostensibly eligible for inclusion in the district, as the result of an annexation which the plaintiff argued had violated applicable annexation procedures.

In overturning the district court's decision in the case the Supreme Court agreed with the plaintiff that the contested annexation was void for non-compliance with the controlling statutes and that the plaintiff was entitled to a refund of its lighting district assessments. The Court also rejected the lower court's conclusion that because the plaintiff did not protest the creation of the district, it could not subsequently attack the city's jurisdiction to include the property within the district.

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## Leasing as an Alternative to Purchase

Many units of government may find themselves in situations where it makes good financial sense to lease a particular facility to another entity or, where the government itself is in need of a particular piece of equipment, to lease it from another party. This article will discuss some of the basic characteristics and uses of leases in their application to local governments.

Essentially, leasing is a financing technique which provides an alternative to sale or purchase of property. Recently, it has become a feasible alternative to the traditional bond issue as a means of acquiring the use of certain capital assets.

### GOVERNMENT AS LESSEE

Government's role as a lessee has increased dramatically in the past few years. Leasing is currently being viewed as a feasible alternative financing method for acquiring capital assets with short to intermediate useful lives (5-20 years). Leasing can also be used for long-term assets (i.e., major facilities). However, equipment leasing is still the most popular application. The two predominant lease arrangements are the straight operating lease and the lease-purchase.

(Continued on next page . . .)

# Leasing as an Alternative to Purchase Cont. . . .

A straight operating lease is used when a program does not have sufficient funds to acquire an asset because of budget constraints or grant requirements. Items normally rented include office space, vehicles and other major hardware, and all types of office equipment including computers. This type of lease is frequently used when other factors are deemed to be more important than pure financial considerations. For instance, computers are leased, rather than purchased, due to the high obsolescence factor, regardless of the likelihood of more favorable financial terms if it were purchased. A disadvantage is that equity is not acquired in the asset.

A lease-purchase agreement, on the other hand, has the important features of equity accumulation. Vendors and lease financing institutions are especially interested in lease-purchase arrangements because the interest portion of the lease is tax exempt under federal regulations. This fact should make the cost of leasing less for governments than for private businesses. All vendors offer essentially the same lease options, especially in the area of equipment leasing.

When assets are purchased in this manner, they are essentially being purchased on an installment basis. Ownership is often acquired for a small fee, such as \$1.00 at the end of the lease. Regardless of the amount, it is usually less than the true value of the asset, with the lessor having received an adequate return on its investment through rentals and tax benefits over the period of the lease.

## *LEGAL CONSIDERATIONS*

The most important legal consideration for a government acting as a lessee is the "fiscal funding clause" in lease-purchase agreements. This clause makes the lease a one-year contract with automatic renewal, unless the government notifies the lessor that funds are not available for a renewal period. The effect of this clause is significant for two reasons: (1) the lease does not apply to the debt ceiling, consequently voter approval is not required; and (2) the risk of cancellation increases the lease interest rate.

Montana statutes also specify that a lease contract with a purchase option is subject to bidding requirements if the total amount of the lease payments, together with the purchase option price, exceeds the statutory minimum price applicable to bidding procedures.

## *FINANCIAL ASPECTS*

As a lessee the government gains substantial financial benefits. Aside from leasing, the only methods of acquiring assets are from current operating revenues, intergovernmental grants or through sale of bond issues. Current trends in tax-limitation legislation, double digit inflation, uncertain aid programs, difficulty in passing bond referenda and demands for spending that generally exceed revenues frequently make the outright purchase options unrealistic or unviable. Consequently, many people view leasing as the wave of the future.

Properly structured, a lease-purchase contract can be more efficient and less expensive than the traditional bond issue due to its practicality and economic feasibility.

The practicality of the lease-purchase contract is demonstrated by (1) elimination of expense and delay caused by bond referenda; (2) the capacity it has for small governments that have limited access to the capital markets and, (3) its ability to finance relatively small capital needs that are too small for bonded debt but too large to be funded from operating revenues.

Economically, leasing can be more feasible than bond issues in that in addition to the interest cost, typically, bond issues frequently accrue other costs as the result of referenda, printing, legal and financial consultation and bond rating. A comparison of total costs for "lease vs. bond" may often show leasing to be less expensive.

For further information on the use of leasing as an alternative to purchase of capital assets contact Thomas Farrell, Chief, Accounting and Management Systems Bureau, DCA/Local Government Services Division, (telephone) 449-3010.

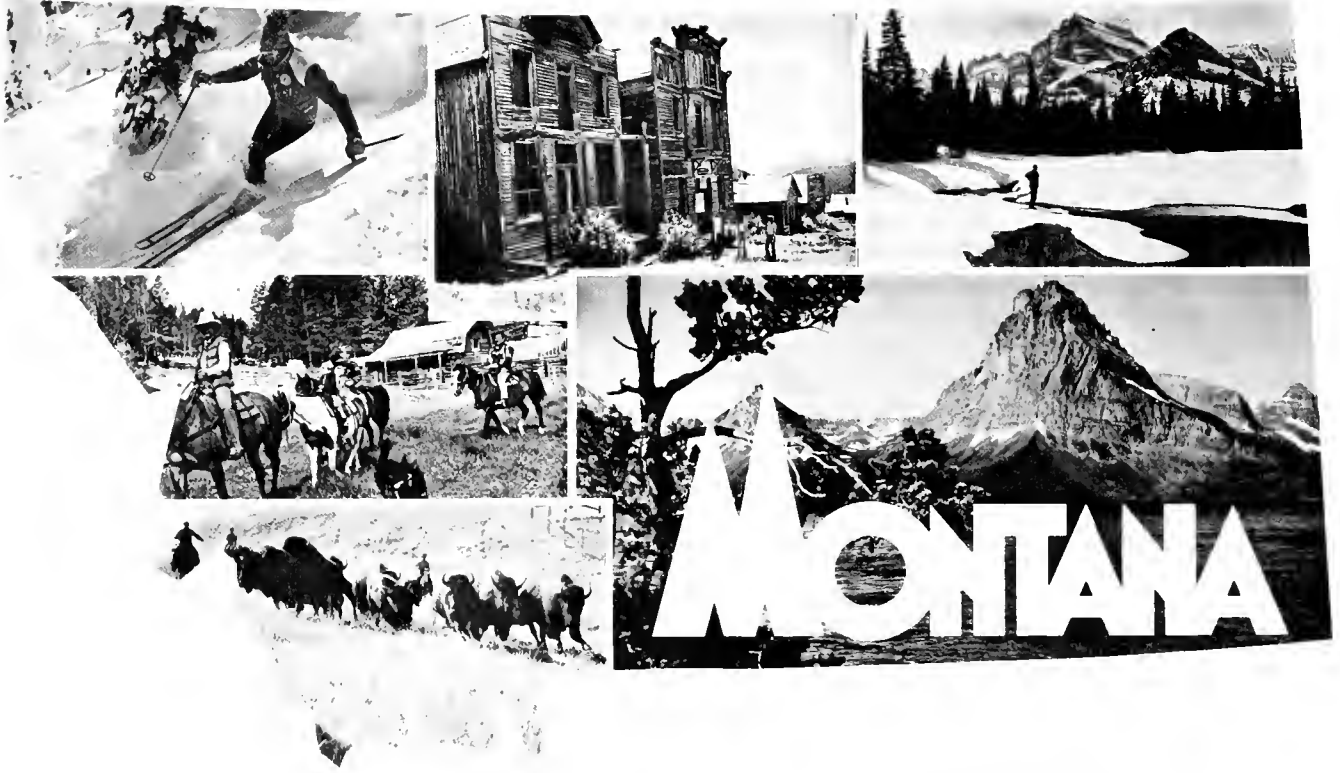
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## "601" Program Aids Coal Impact Areas

In 1979 the Governor designated eight Montana counties as coal development areas under the criteria of the U.S. Farmers Home Administration (FmHA) "601" program. The designated areas include Big Horn, Carbon, Custer, Musselshell, Powder River, Rosebud, Treasure and Yellowstone Counties. Under the "601" program these counties and their municipalities are eligible for planning, site acquisition and site development grants to help them deal with existing or projected impacts from coal development. To date, grants totaling \$577,250 have been awarded to counties and municipalities in the designated coal impact area. Eight project grants, which require at least a 25 percent local match, have helped communities acquire or develop sites for sanitary land fills, sewer treatment facilities, a school, a bridge and a nursing home. Planning grants do not require a local match but must not replace other available funding. A total of \$258,500 in planning grants has been awarded to help communities with their growth management and housing plans.

By law no more than 10 percent of the annual "601" appropriation may be used for planning nationwide, although the ratio of project-to-planning money may vary considerably from state to state. The national "601" appropriations were \$20 million for fiscal year 1979, \$50

(Continued on page 10 . . .)



## Travel and Tourism in Montana

(Editor's Note: The winter issue of *Montana Business Quarterly*, published by the U of M's Bureau of Business and Economic Research, carried an analysis by economist Bruce Finnie of the travel and tourism industry in Montana. Finnie, formerly with DCA's Research and Information Systems Division, is now with Western Analysis, Inc., a research firm located in Helena. The article was based on a detailed study of the impact of Montana's tourism industry prepared by Western Analysis under a grant from the Montana Private Industry Council. Finnie has a Ph.D. in economics from the University of Nebraska. The following is a condensation of that article.)

The importance of travel and tourism to Montana's economy has long been a controversial issue. The lack of up-to-date statistics concerning income and employment attributable to travel and tourism has added to the confusion. However, a recent study has made possible some reasonably reliable estimates concerning the industry, and the statistics presented here are the best currently available.

The uncertainty concerning the economic impact of travel and tourism in Montana and in the other states within the Old West Regional Commission (Nebraska, North Dakota, South Dakota, and Wyoming) led to the 1979-80 Nonresident Travel, Tourism, and Recreation Survey, which allows a more meaningful and accurate definition of travel and tourism. For purposes of this article, the tourism segment will include those who travel into or within the state for the purpose of visiting

friends or relatives and/or for recreation or other purposes which could be defined as for pleasure

### *Why evaluating the industry is difficult*

In evaluating the economic impact of travel and tourism on Montana, the major concern is with out-of-state travelers and tourists. Their spending represents new money in the state just as does the sale of a carload of Montana cattle or lumber to out-of-state purchasers. But although employment and earnings data are regularly gathered for industries such as agriculture and wood products, the economic influence of the nonresident travel and tourism sector is difficult to determine.

For example, a restaurant serves both in-state and out-of-state residents who may or may not be travelers or tourists. It is difficult, if not impossible, to identify which portion of the employment and earnings generated by such a firm is attributable to each of these segments.

Although attention often is centered on tourism, it is part of the larger travel industry, which also includes business-related trips and the activity generated by those passing through the state to other destinations. Business trips and cross-state travelers do not constitute tourism in the strictest sense, but they do generate income and employment. Since no state level data are available, it becomes necessary to make certain assumptions concerning what proportion of Montanans' travel expenditures are recreational as opposed to travel for commuting, shopping, etc.

(Continued on page 9)



# Montana Tourism Development Plan Released

The Western Analysis study of Montana's tourist and travel industry summarized in the preceding article provides ample documentation of the importance of the industry to the state's economy. However, efforts to promote the industry have been hampered by a lack of knowledge about how and to whom Montana can most effectively direct its promotional activities. Last month the Travel Promotion Unit of the Montana Department of Highways released a Tourism Marketing Development Plan for Montana. It, too, was financed by the Montana Private Industry Council and represents the first professional market analysis of Montana's tourism industry. Prepared by Davidson-Peterson Associates of New York City, the plan suggests actions to guide public and private development of tourism for the next five years. It attempts to provide workable guidelines on which to base a marketing program to take advantage of existing tourism potential.

The Davidson-Peterson study provides a number of interesting findings regarding the state's tourism industry:

## *The Current Situation*

- Montana's non-resident tourist volume represents a very low penetration of the prime market area for Montana tourism. (The prime market area is the area from which a reasonable car trip will bring the traveler to Montana.) While the U.S. prime market represents 62% of all tourist visits to Montana, these Montana trips are only 5% of all pleasure trips taken by people in this prime market area.

- The Canadian prime market area generates 10% of tourist visits to Montana.

- Montana has very low prominence as a vacation destination. Only 8% of U.S. prime market residents think of Montana at all when asked to think of places to go for a vacation. Comparable figures for other states are California with 46%; Oregon, 22%; and Washington, 21%. Only 2% considered Montana a top choice.

- When asked where in Montana they might go for a pleasure visit, potential tourists really do not know where. Lacking a specific place to go, it is very improbable that people will plan a vacation to Montana.

- Most visitors to Montana are in Montana because they are going to or coming from somewhere else, not because Montana is the primary place they want to visit.

- Partly due to the predominance of pass-through visits the average stay of non-residents tourists from the U.S. prime market in Montana is short — 3.5 nights. That is a short stay for an area that is trying to build an economically viable tourism industry. The few whose primary destination is Montana do stay, on average, more than 6 nights.

- The average party size from the U.S. prime market is fewer than 2 people (1.97). That suggests that few families on vacation visit Montana.

- The tourist visiting Montana is typical of all tourists originating in the prime market areas: Except that —

- The U.S. prime market tourist who visits Montana is considerably more likely to be a blue-collar and less likely to be a white-collar worker.

- The Canadian tourist to Montana is more apt to be a white-collar worker, a college graduate and earn a high-

er income than is the typical Canadian prime market tourist overall.

(This difference reflects both the type of pleasure trip typically taken by U.S. and Canadian residents and the fact that the markets in these two areas are different.)

- The U.S. prime market tourist views Montana as a place to visit —

- in the summer;

- for a short stay; and

- for an outdoor, nature-oriented experience.

- The Canadian prime market tourists view Montana as a place to visit —

- in the summer but also in the winter (sometimes for skiing);

- for a relatively short stay; and

- less for outdoors activities and more for shopping and entertainment.

## *The potential for growth*

- People who do visit Montana appear to be satisfied with their Montana experience. More than half the recent Montana visitors from the U.S. prime market (54%) say they are likely to return in the next few years. The expectations that attracted them to Montana are fulfilled when they visit.

- In fact, the type of vacation experience offered by Montana is the type of experience many people want. There is demand for outdoors, nature-related vacations. There is also demand for relaxation, fishing, Old West history and atmosphere and sightseeing. That people do not now come to Montana for these experiences is due, in great part, to their lack of knowledge that these types of vacation experiences can be found in Montana.

## *Obstacles to Growth*

- The most important obstacle to growth of tourism in Montana is the lack of awareness, lack of knowledge and lack of specific information about tourism/vacation opportunities in Montana. For both travelers and tour operators/travel wholesalers, Montana is just not thought of as a place to vacation.

- A second and somewhat related problem is the underdeveloped tourism infrastructure. Successful tourism destinations need to be organized, packaged and promoted in a way that is meaningful to prospective tourists. Tourists will not travel miles to see some unspecified view. They need specific places to sleep, eat and be entertained.

- Two innate disadvantages are recognized by tourists: cold weather and transportation difficulties.

- For part of the year cold weather is a fact. Frequent television weathercasters' references to the "coldest" spot in the nation do not help. Except for skiing, there is a strong and consistent tendency for people to be drawn to warm weather for vacations. And, especially among U.S. residents, the availability of good resort skiing in Montana is not well known. Among one group of skiers all of whom average over 20 days per year of skiing and have recently skied in Colorado or Utah, *no one* thought of Montana as a place to ski.

- The difficulty of travelling to and from Montana is a distinct obstacle to increased tourism growth.

- Domestic air schedules are clearly inadequate to support increased tourism traffic. Unfortunately, in the short run, one effect of air travel deregulation may well be a deterioration in the already deficient existing service.

- For the tour operator, a trip to Montana must be relatively long. This market is limited to older, probably retired, people.

## *Recommendations*

- Montana does not have the facilities or geographic location required to become a mass-market attraction. The absence of warm weather, sunny beaches, exciting night life, plus transportation distances and difficulties are real limita-

(Continued on next page . . .)

## Montana Tourism Development Plan Released Cont. . . .

tions on tourism development. Marketing must be based on isolating the appropriate segments of the tourism marketplace to whom Montana appeals and focusing promotional efforts in a targeted manner to these segments. Each segment will differ and requires different programs and marketing efforts.

- The critical task is to communicate that Montana is an excellent place to vacation and to educate prospective tourists in the many and varied places to visit, places to eat, things to do and things to see.

Some of the key target segments include:

- Blue collar residents of the U.S. prime market area who are looking for a place to spend several days relaxing in an uncrowded, natural setting.

- Canadians (especially Albertans) who want to go away for a weekend of shopping and entertainment;
- European travelers who want to spend a couple of weeks driving around the Old West sightseeing and visiting historic sites;
- Special interest groups throughout North America who are looking for things like:
  - rest and relaxation;
  - affordable skiing; or
  - fishing; and
- Visitors to Yellowstone or Glacier National Parks who can be persuaded of the virtue of spending several days in Montana outside of the Parks.

The study recommended not committing major funds or efforts toward attracting European tourists until Montana is prepared to make improvements in signs, brochures, menus, and currency exchange to accommodate tourists speaking foreign languages. It suggested that initial promotional activities begin in Great Britain whose tourists would have little trouble with a language barrier.

The Travel Promotion Unit has already begun to incorporate some of the plan's recommendations into its marketing program. The unit will focus its current advertising campaign in Montana's nine-state prime market area, and in particular the Seattle and Minneapolis-St. Paul regions, as well as the Canadian province of Alberta. The unit is also cooperating with Wyoming's travel promotion agency and the Yellowstone Park Company to jointly underwrite advertising in selected journals such as *Fly Fisherman* magazine this spring in an effort to appeal to one of the special interest groups identified by the plan. In addition, Montana and Wyoming are working with Northwest Airlines to promote Western tours which would utilize Northwest's London to Minneapolis flights.

One unanswered question involves the level of funding that the Montana Legislature will appropriate to support travel promotion. The Davidson-Peterson plan recommended an initial annual budget of \$1.9 million "based on the need to compensate for previously inadequate levels of spending, the magnitude of the product development and communications tasks, and the levels of spending by competitive areas."

This year's budget for Montana's travel promotion program is \$616,000. In comparison, the annual budgets for some of Montana's competitors are Wyoming, \$1,300,000; South Dakota, \$1,498,000; and Utah, \$1,900,000. The Canadian province of Alberta spent

\$6.1 million last year on its travel promotion program.

The authors of the study offered a final note of advice:

We recognize that this budget greatly exceeds currently levels of spending and that it may be difficult to achieve greatly expanded levels quickly. Nevertheless we believe that it is our responsibility to indicate just what level of investment is required to achieve meaningful growth and provide, through an increased level of tourism, more jobs and more income for Montana. Providing economic growth is not inexpensive. If a smaller investment is made, then smaller growth will be realized.

For further information on the plan interested persons should contact John Wilson or Norma Tirrell of the Montana Travel Promotion Unit, (telephone) 449-2654.

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## Is Downhill Skiing Going Downhill?

Montana's ski resorts, an important sector of the state's tourist and travel industry, already besieged by unseasonably warm and dry weather this winter, may be facing an even more serious long term problem. According to the January *American Demographics* downhill skiing may soon become a declining industry because of the changing structure of America's population.

A study conducted by the U.S. Forest Service found that the median age of active skiers is only 26 while the median age of the general population has already turned 30 and will reach 35.5 by the year 2000. The study also discovered that skiing's appeal drops sharply after age 29 and the number of 29-year-olds will peak in the eighties. Demographers project that by the year 2000 there will be 2.5 million fewer people in the 25 to 29 year age bracket than there are now.

This, combined with rising energy costs and the inflationary spiral, has caused some authorities to diagnose problems for the industry. The report states that, "Promoters of skiing are in the frustrating position of offering a recreational service that is high in popular appeal but also high in economic and demographic barriers to converting that appeal into participation." The Forest Service found that most potential skiers think of the sport as expensive and one out of three thinks the slopes are already too crowded. People who have not yet tried skiing but who otherwise have the characteristics of active skiers (the industry's potential new customers) are more likely than active skiers to think skiing is dangerous.

The study suggests that the industry can remain  
(Continued on next page . . . )

# Travel and Tourism in Montana Cont. . . .

## *Economic impact of travel and tourism*

The information made available by the 1979-80 Nonresident Travel, Tourism and Recreation Survey shows that in 1979 approximately 3.5 million nonresident visitors came to Montana. They spent nearly \$500 million. Resident travel expenditures in 1979 generated another \$400 million. Combining the resident and nonresident components, travelers and tourists spent almost \$1 billion in Montana. That spending supported about 20,000 jobs and led to \$172 million in earnings for Montana workers. These figures are equal to 5.8 percent of total employment and 3.9 percent of total earnings in 1979.

The travel industry is comprised of a variety of economic sectors including transportation; retail trade firms such as service stations and eating and drinking establishments; service industries such as hotels and motels and auto repair; and various recreation activities. The travel industry, as noted above, is larger than the tourism industry since it includes all forms of travel. Tourism, more narrowly defined, consists of travel primarily for pleasure and is estimated to account for approximately 40 percent of the total travel industry. Tourism, both resident and nonresident, provided over 8,000 full and part-time jobs and about \$71 million in

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## Is Downhill Skiing Going Downhill Cont. . . .

healthy if it can develop ways to appeal to the 7 million nonskiers who have a high potential for becoming skiers, by increasing the participation of the 12.9 million active skiers, and by discovering techniques to entice another 7 million former skiers back to the sport. The study suggests that cross country skiing could play a role in this effort.

Until now, downhill and cross-country skiing have been viewed as mutually exclusive activities, or at least as substitutes for one another. However, they should be considered as mutually reinforcing. Interest in both doubles the potential for becoming involved in skiing and halves the probability of dropping out.

The report concludes on a positive note, however, suggesting that the prognosis for the skiing industry need not be bleak if it can capitalize on the millions of current and former skiers by promoting skiing as a lifetime sport: "Skiing can retain its youthful image without losing veteran skiers if area operators are alert and responsive to the changing perceptions of skiers."

The Forest Service report, "Growth Potential of the Skier Market in the National Forests" can be purchased from the U.S. Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, for \$2.00. When ordering cite stock number 001-001-00524-0.

earnings. Unless otherwise noted, this article will refer to the entire travel industry.

Nonresident travel accounts for 2.9 percent of total employment and 1.9 percent of total earnings in Montana. Among the industries which constitute the state's economic base — the basic or export industries — nonresident travel is responsible for 10.0 percent of employment and 5.4 percent of earnings. In each case, tourism alone provides more than half of the total nonresident travel contribution. Although businesses serving nonresident travelers provide more jobs than mining and railroads and about the same number as wood products, total earnings of workers serving travelers and tourists are the smallest of workers in any basic industry.

Most travel and tourism expenditures, including those made by residents, are estimated to take place in a relative handful of Montana counties. Nearly 80 percent of total travel employment is found in ten Montana counties. (Those counties, in order of number of persons employed, are Yellowstone, Gallatin, Flathead, Cascade, Missoula, Lewis and Clark, Butte-Silver Bow, Glacier, Park and Dawson.) Yellowstone County tops the list, but the overall effect on the travel industry in that county is less important than in other counties due to the large numbers of jobs generated by other industries in the Billings area. Nevertheless, travel employment is significant in Yellowstone County because of its proximity to tourist destination centers and the relatively numerous business-related trips made to Billings. Although Gallatin, Glacier and Park counties have less employment due to the travel industry, its impact is far greater. For example, 21.0 percent of Glacier County's total employment is attributable to travel and tourism whereas in Yellowstone County the figure is 5.7 percent.

## *Characteristics of the nonresident traveler*

As indicated earlier, approximately 3.5 million visitors came to Montana in 1979, down somewhat from previous years. Unfortunately, lack of data on travel by bus, rail, and air makes it difficult to measure accurately changes in nonautomobile traffic. If the automobile count data are correct, and there is every reason why they should be, the number of nonresident visitors declined about 17 percent between 1977 and 1979, the year of the gas shortage. Although traffic data at the external (border) counters indicate very little change in overall activity, the percentage of nonresident compared to total traffic has been falling since 1977. In that year about 29 percent of all travelers were nonresident while in 1979 the figure had declined to 24 percent of the total traffic (excluding commercial trucking and buses) at the border stations.

## *Characteristics of tourism employment*

Travel and tourism employment in Montana is concentrated in the retail trade and service sectors, particularly in hotels and motels. These jobs are predom-

(Continued on next page . . .)

# Travel and Tourism in Montana Cont. . . .

inately held by women (64 percent), tend to be low paying (1979 average wage of \$4.70/hour) and are often part-time (the 1979 average was thirty-three hours per week). Although no occupational data are available for the travel or tourism industry specifically, most of the travel-related jobs could be classified as unskilled. In addition, most travel-related jobs are very seasonal. (Hotels and motels have the highest fluctuation with eating and drinking establishments also subject to seasonal influences.) Large seasonal variations in employment mean that substantial numbers of workers in that industry will be unemployed during part of the year; this results in a higher annual unemployment rate. Travel-related activities, although increasing in the winter season, still are concentrated in the summer months as a result of both climate and custom.

## *Current issues*

According to the U.S. Travel Center in Washington, D.C., travel costs in the United States increased approximately 30 percent between 1977 and 1979. The figures for 1980 are not available yet, but they are expected to show a percentage increase nearly twice the inflation rate for the year, as gasoline prices rose by nearly 50 percent.

Increasing costs and the concern over fuel availability in 1979 resulted in a substantial down-turn in out-of-state as well as in-state travel to Montana's primary recreation sites. For example, yearly traffic at West Yellowstone declined by 11 percent in 1979. The 1980 national picture, while better, nevertheless reflects a growing concern among Americans with the costs of long-distance vacation travel. This concern could create significant problems for Montana since the state is far removed from the nation's population centers. On the basis of proximity to national population, Montana ranks forty-third of the forty-eight continental states. On the basis of nearness to regional population centers, Montana ranks last among the forty-eight states. Montana could be the state most affected in terms of its travel industry, if major fuel shortages occur.

Because of this, the future of Montana's travel and tourist industry is uncertain. "Drive-through" tourists, who tend to be less affluent than the "fly-in" traveler, will probably travel less often, and drive shorter distances when they do. Because of Montana's remoteness from the nation's population centers, the state will probably continue to experience a decline in this type of travel.

On the other hand, convention and destination type travel seems to be holding up well, and may even increase. Convention and destination resort travelers tend to be more affluent, and may be traveling on expense accounts. In general, they appear to be less affected by high fuel costs and/or the recession than the "drive-through" tourist traveling across country by automobile. Montana has several destination resorts,

and numerous cities in the state have convention facilities. Increased emphasis on marketing the state to this type of traveler could help offset the effects of declining automobile travel.

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## "601" Program Cont. . . .

million for fiscal year 1980, and \$62 million for fiscal year 1981. The 1981 allocations to the states have not yet been made.

Early in January planners representing local governments in the "601" designated areas met with representatives of the state and national FmHA offices and of DCA's Community Development Division. They discussed the status of the FmHA planning activities in each county, current and projected coal development in and near the designated areas, and future planning and project needs of the designated local governments. Future project grants will be contingent upon completion of a FmHA approved growth management plan in compliance with the requirements of the "601" regulations. Funds are allocated to eligible states on a formula basis that is intended to reflect the immediacy and severity of need for assistance as a result of coal development. The currently "soft" market for Western coal may slow the timing of new coal development in Montana and temporarily reduce the amount of "601" project money allocated to the state. Planning money should continue to be available to designated areas.

As is evident from the limited array of fundable activities, the "601" program is intended as last resort funding to be used where other planning, site acquisition and site development funds are not available. Because "601" funds cannot be used for the actual construction of public facilities, communities must find other funding sources for construction. For example, four of the 21 "601" grants made to date were complemented by grants made by the Montana Coal Board.

Counties which appear likely to be considered for designation as soon as they qualify under the FmHA "601" criteria include Dawson, McCone, Richland and Wibaux. In order to be designated under the "601" program an area must have experienced an eight percent growth in eligible coal-related employment during the year prior to designation or must anticipate an eight percent growth in coal-related employment for each of the three years following designation. The growth in employment must have caused or be expected to cause substantial overall population growth resulting in significant impacts on housing and public facilities and services in the designated area. Eligible coal-related employment is defined in the FmHA "601" regulations as full-time employment in coal production, processing or transportation. All but about ten percent of the permanent employment associated with coal-fired generating facilities is specifically excluded from consideration for designation purposes and from the formula for allocating "601" funds to the states.

Legislation has been introduced during each session of Congress in recent years to provide expanded

(Continued on page 12 . . .)

# MAP Conference To Focus on Energy Impacts

The annual Montana Association of Planners (MAP) Spring Conference has been scheduled for April 30-May 1st at Western Montana College in Dillon.

This year's Spring Conference will have a twofold theme: "Resource Development in Montana: Prospects and Patterns" and "Impact Mitigation: Roles and Responsibilities." The meeting will provide an array of ideas to help communities plan for energy development in their areas. The conference will cover a wide variety of topics including a comparison of the types of impacts associated with different forms of energy development. In addition, representatives from several energy-impacted communities and states will relate their experiences with rapid energy development and the methods they utilized in managing those impacts, such as programming capital improvements, developing alternative financing programs, and utilizing special impact funding sources.

The conference will also examine the impacts which can result when development activity ceases. Ways of softening the "bust cycle" will be addressed as well as methods of managing impacts associated with rapid industry pull out. The meeting will consider the respective roles and responsibilities of both the public and private sectors in addressing the impacts of major resource development. Among those scheduled to address the conference are:

- Kathy Buys, U.S. Department of Energy;
- Betsy Sturgis-Murray, Colorado Energy Impact Office;
- Lt. Governor George Turman;
- John Rogers, Beulah, North Dakota Gasification Project;
- Nancy Fishering, Richland County Planning Director;
- Kevin McNellis, Anaconda Task Force;
- Pace Quality Development Associates of Denver; and,
- Charles McClain, Denver Research Group.

Those wishing to attend the conference are urged to preregister as soon as possible. A preregistration form is attached below. Persons interested in receiving further information concerning the conference should contact:

Peggy Delaney, Butte-Silver Bow Planning Board, 155 West Granite, Butte, MT 59701, (telephone) 723-8261, ext. 221, or Lee Tuott, Beaverhead County Planning Board, P.O. Box 1166, Dillon, MT 59725, (telephone) 683-4862.

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## Local Government and Petroleum Development

Because of the increased prices of crude oil and the development of new technologies, it has now become possible and profitable to drill for petroleum at greater depths than was possible in the past. New and more refined techniques of exploration have helped to locate new areas which may contain recoverable oil and gas deposits. While some areas of the country have been through periods of the "oil boom" before and are experienced with the problems that go along with the "boom," other areas have not, and are not familiar with the process or the problems associated with oil and gas exploration and production.

To assist local governments in dealing with these impacts the Mountain Plains Federal Regional Council, which serves the six states of Federal Region VIII, recently published *Local Governments and Petroleum Development*. The publication is intended to serve as a guide or primer to the petroleum exploration and production process. It provides a description of the oil exploration process; information on the manpower and time required to complete each phase of development; descriptions of the problems that commonly confront local officials as a result of oil exploration and development; and samples of guidelines, forms and regulations adopted by counties in the Western states to deal with these problems.

If your area is anticipating or experiencing petroleum exploration, drilling or production and you would like to obtain a copy of the publication, contact the Mountain Plains Federal Regional Council, Energy Impact Office, 14th Floor, Federal Building, 1961 Stout Street, Denver, CO 80294, telephone: (303) 837-2751.

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### MAP—1981 Spring Conference

Fees:	MAP Membership Dues:
MAP Member \$25.00_____	Professional \$15.00_____
(Registration at door \$30.00)	Official \$10.00_____
Non-Member \$30.00_____	Board \$30.00_____
(Registration at door \$35.00)	Affiliate \$ 5.00_____

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(Mail to: JoAnne Garnett, Pres., MAP,  
 Box 675, Billings, Montana 59103)

# Economic Development and the 1981 Montana Legislature

The theme of the January 8th meeting of the Montana Economic Development Association (MEDA), "Economic Development — The Issue of the 80's" has developed into a major theme of the 1981 Montana Legislature as well. Several ideas discussed at the Helena meeting have become important legislative proposals. Senators Tom Towe and Pat Regan and Representatives Jay Fabrega, Ken Nordtvedt and Dan Kemmis have emerged as legislative leaders in the effort to formulate a constructive state program to stimulate economic development.

Legislative proposals have mainly addressed three subject areas which affect development feasibility: taxation, venture capital, and permit requirements.

Proposals to improve tax incentives have dominated the legislative discussion so far. Following is a list of major tax proposals:

HB 42 would provide for the deferment of capital gains tax by reinvesting any gain within 60 days.

HB 156 would enlarge tax credits for business investment.

HB 609 would provide a graduated schedule for the tax rate applicable to real property improvements for new and expanding manufacturing industry.

SB 283 would exempt business inventories from taxation.

SB 372 would allow local governments to reduce property tax valuation of new businesses.

Permit and licensing procedures have been blamed as major deterrents to industrial and business location and expansion in Montana. Three bills have been introduced to address this problem.

HB 31 would establish a system to coordinate state licensing procedures for businesses.

HB 578 also seeks to streamline small business licensing procedures by establishing a licensing coordination center.

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## "601 Program Cont. . . .

federal energy impact assistance. However, despite compromise efforts, no broadened impact assistance has yet succeeded in passing in both houses of Congress. The future of the "601" program is uncertain at present in light of major cuts in the FmHA budget apparently being contemplated by the Reagan Administration.

For further information about the FmHA "601" program, contact your district FmHA office or write or call Carol Ferguson, DCA/Community Development Division, Capitol Station, Helena, 69620; phone: (406) 449-3757.

SB 376 has been introduced to revise and clarify the Montana Major Facility Siting Act. Major provisions would increase the exemption limit for additions, include major pipelines as a facility, expand criteria for the relocation, reconstruction or upgrading of a facility, waive certain requirements when a facility will be constructed in a county with severe unemployment problems, and clarify appellate review procedures.

Structures and funding for investment corporations designed to provide badly needed venture capital were discussed at length by participants at the January MEDA meeting.

SB 357 introduced by Senator Towe would create an economic development fund for investment in the preferred stock of small business investment corporations.

SB 21, also introduced by Senator Towe, would establish a non-profit Montana Product Development Corporation to provide financial assistance for the commercial development of products and inventions.

SB 454, introduced by Senator Goodover, would create a small business revolving loan fund administered by the Department of Business Regulation.

HB 695, would authorize the Montana Board of Housing to issue revenue bonds to finance agricultural activities.

Two bills have been introduced to assist downtown improvement efforts.

HB 407 would amend the tax increment financing laws for urban renewal to permit rehabilitation activities now permitted in an urban renewal area to be funded by tax increments and to enable base year revaluation based on changes resulting from administrative or judicial decisions.

SB 339 would enable a local government to establish a business improvement district in the same manner as a special improvement district. A board of trustees for the district could carry out specified improvement activities following budget approval and the imposition of a tax levy by the governing body.

Current information on the status of bills is available by calling 1-800-332-3408. Helena-area residents may contact the legislative information office by calling 449-4853.

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# Montana Newsletter

*Montana State Library*



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